

May 27, 2014

National Credit Union Administration  
Gerald Poliquin, Secretary of the Board  
1775 Duke Street  
Alexandria, VA 22314-3428

On behalf of Seasons Federal Credit Union, we greatly appreciate the opportunity to provide comments to the National Credit Union Administration on its proposed rule on Prompt Corrective Action (PCA) and Risk-Based Capital (RBC). Seasons FCU currently has \$140 million in assets and serves over 18,000 members in the counties of Middlesex and New Haven Connecticut. Seasons is considered well capitalized today, with a capital cushion of 209 basis points on total assets. Under the proposed regulation our capital position would fall to adequately capitalized, with a capital cushion of -90 basis points on total assets. Though we agree with idea of creating a risk-based capital framework for the industry and support NCUA's continued efforts to protect the NCUSIF; we have significant concerns that the RBC regulation as proposed is far too stringent, and due to the capital implications for our own institution, may require us to impose additional costs to our members and restrict our ability to meet their financial needs.

Overall, the risk weighting for several of the asset categories is far too high and exceeds that of the Basell III standard for banks. Seasons has a strong performing second mortgage program, which has grown to be a significant part of our loan portfolio and has helped to serve countless members. For example, Seasons FCU members Maureen and Mike, recently obtained a home equity line of credit. Here's their story, in their words:

Hi Nicole

I wanted to send you a quick note to thank you for your help in processing our Home Equity Line of Credit with Seasons. I have been a member for nearly 30 years and recently refinanced our primary mortgage with Seasons. That had been such a pleasant experience for us that we did not give another bank a thought when considering a LOC to expand our home.

In 2011 my husband and I purchased a small renovation house and have been working diligently to make it home for our family. It quickly became apparent that we needed additional space in which to be comfortable. While we had a good amount of savings, after receiving builder quotes we recognized that additional finances were needed. Our



experience with Seasons was quick and stress free. Completely enjoyable. We are looking forward to an additional 30 years of working with you.

Kind Regards  
Maureen and Mike P., Guilford, CT

Unfortunately, due to the high risk weights assigned to this loan type, Seasons will have to seriously consider limiting this program if the proposal stands as is. This will greatly inhibit our ability to serve our membership, and will decrease the likelihood of providing another real estate loan Maureen and Mike, or other members like them. Also, the risk weighting of second mortgages doesn't take interest rate risk into account. We suggest lowering the overall risk weighting on second mortgages.

Another concern with the risk weights is how it is applied to CUSO's. Applying a blanket 250% risk weight to all CUSOs is far too punitive and broad. Many CUSOs have proven to be substantial and innovative sources for credit unions to earn non-interest income, as well as a cost-effective means to provide additional products and services to members. Although we understand that some CUSOs have resulted in significant losses for credit unions, we suggest reevaluating the treatment of CUSOs in this proposal.

The risk weights assigned to investments is also of concern, as it is generally too high and doesn't address credit risk. We suggest you reevaluate the use of maturity risk and consider the issuer when assigning risk weights to investments. Does a GSE issued CMO with a weighted average life of 5.5 years deserve twice the risk weight of a private-label issued CMO with a 4.5 average life?

Other concerns in the calculation is the exclusion of the NCUSIF deposit and the treatment of Cash on Deposit. By excluding the NCUSIF deposit from the equation, it gives the appearance that this asset is worthless and penalizes all credit unions. We suggest assigning a weighting of 100%. Seasons primarily uses the Federal Reserve for its cash on deposit which carries a 20% risk weight, while cash on hand has a 0% weighting. We feel there is no more risk to our cash on deposit with the FED than that on hand, and should therefore receive a 0% weight.

Another item in this proposal that is very troubling is the ability of NCUA to establish increased minimum capital requirements for individual credit unions. Although we have no doubt that this would be applied judiciously, this is still very concerning as it seems to undermine the rest of the regulation. If this rule is finalized as proposed then Seasons will have to restructure its balance sheet and most likely change the way we do business to ensure that we are compliant with both capital standards. By allowing an examiner





this type of discretion it may create capital guidelines that are inconsistent, and can nullify an institution's effort to achieve well capitalized status.

Seasons supports the implementation of a risk-based capital standard that will help credit unions become safer through providing guidance on their balance sheet structure. However, it will take a considerable amount of time to position our balance sheet accordingly to keep our well capitalized status, as we will inevitably have to shorten the life of our investment portfolio and reposition much of our loan portfolio. As such, we recommend a minimum of a 3 year adoption period for this regulation.

Thank you for the opportunity to comment.

Sincerely,

The Management Team of Seasons Federal Credit Union

A handwritten signature in black ink, appearing to read "Keith A. Wiemert".

Keith A. Wiemert, CEO

A handwritten signature in black ink, appearing to read "H. Brady".

Howard Brady, SVP

A handwritten signature in black ink, appearing to read "Betsy Sommers".

Betsy Sommers, SVP

A handwritten signature in black ink, appearing to read "Robyn Swanson".

Robyn Swanson, SVP

A handwritten signature in black ink, appearing to read "Jeffrey Rindfleisch".

Jeffrey Rindfleisch, VP- Financial Services

A handwritten signature in black ink, appearing to read "William Weingartner".

William Weingartner, VP – IT

A handwritten signature in black ink, appearing to read "Kyle Dahn".

Kyle Dahn, Controller